

Message Text

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PAGE 01 CAIRO 12427 261304Z
ACTION EB-08

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E.O. 11652: N/A
TAGS: EIND EAIR EG
SUBJ: PRIVATE PARTICIPATION IN OWNERSHIP OF PUBLIC SECTOR FIRMS

1. CAIRO PRESS RECENTLY HAS CARRIED ARTICLES ON GOE PLANS TO INCREASE CAPITAL OF EXISTING PUBLIC SECTOR COMPANIES AND TO OFFER SHARES IN THE COMPANIES FOR PUBLIC (I.E. PRIVATE INDIVIDUAL) SUBSCRIPTION. GOE REPORTEDLY WILL RETAIN MAJORITY OWNERSHIP AND THERE WILL BE LIMITATION OF LE 10,000 ONCFDU VALUE OF SHARES THAT MAY BE HELD BY SINGLE INVESTOR. FIRST COMPANIES TO BE INVOLVED IN PLAN WILL BE IN SECTORS APPARENTLY CHOSEN ON BASIS OF LIKELIHOOD OF COMPANIES' TURNING A PROFIT--- TOURISM, SPINNING AND WEAVING, FOOD AND CHEMICALS, AND PAPER. A NUMBER OF PUBLIC SECTOR COMPANIES -- 35 OUT OF A TOTAL OF SOME 380, ACCORDING TO ONE RECENT PRESS REPORT --- ALREADY HAVE SOME DEGREE OF PRIVATE OWNERSHIP.

2. IN RELATED DEVELOPMENT, JULY 21 PRESS REPORTED THAT GOE HAS SPONSORED BILL IN PEOPLES ASSEMBLY PROVIDING FOR CONVERSION OF EGYPTIAN NATIONAL AIRLINE, EGYPT AIR, TO A "JOINT -STOCK COMPANY", PRESUMABLY MEANING THAT SHARE OWNERSHIP WILL BE OPEN TO PRIVATE INDIVIDUALS. STORY INDICATES THAT THE NEW EGYPTAIR WILL DEVOTE ITSELF TO DOMESTIC AND INTERNATIONAL AVIATION, WHILE ANCILLARY FUNCTIONS IN WHICH COMPANY IS NOW ENGAGED---

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PAGE 02 CAIRO 12427 261304Z

GROUND SERVICES, TOURISM, AND HOTELS -- WILL BE PARCELED OUT TO OTHER FIRMS NEWLY CREATED FOR THIS PURPOSE. MINISTRY OF FINANCE IS TO ASSUME ALL OF COMPANY'S INTERNAL DEBT (I.E., BORROWINGS FROM GOE), WHILE EXTERNAL DEBT WILL REMAIN ON COMPANY BOOKS. (SEE CAIRO 3840 FOR PREVIOUS REPORTING ON EGYPTAIR FINANCES.)

3. COMMENT: SEVERAL MINPLANNING AND MINFIN OFFICIALS (INCLUDING MINPLANNING ABDEL MEGUID) HAVE TOLD US THAT REVISION OF PUBLIC SECTOR COMPANIES TO MIXED OWNERSHIP ON A SELECTED BASIS IS INTENT OF GOE WITHIN NEXT SIX MONTHS TO A YEAR. RELATED ARE REPORTS ON POSSIBLE FORMATION BY GOE OF NATIONAL INVESTMENT BANK AS FINANCIAL HOLD ORGANIZATION FOR ASSETS OF THESE PUBLIC SECTOR FIRMS WITH, EVENTUALLY, PRIVATE PARTICIPATION. DRAFT LAW IN THIS REGARD, WE UNDERSTAND, IS BEING CONSIDERED AT SUBMINISTERIAL LEVEL. PRIME OBJECT IS TO IMPROVE PRODUCTIVITY, AND BASIS OF SELECTION FOR INITIAL OFFERINGS WILL BE CURRENT, DEMONSTRABLE PERFORMANCE OF GIVEN COMPANIES. (ABDEL MEGUID HAS COMMENTED TO US PRIVATELY THAT NO ONE IN HIS RIGHT MIND WOULD BUY STOCK IN A PUBLIC SECTOR COMPANY NOW.) MINFIN OFFICIALS CONCERNED NOTE THAT RESTRUCTURING OF FINANCES AND ORGANIZATION IS FIRST STEP TO MAKING COMPANIES' EQUITY ATTRACTIVE TO PRIVATE SECTOR PURCHASERS AND ARE CASTING ABOUT FOR MEANS TO HAVE NECESSARY STUDIES ACCOMPLISHED. EILTS

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